



A REPORT
TO THE
ARIZONA LEGISLATURE

Division of School Audits

Performance Audit

Wickenburg Unified School District

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Debra K. Davenport
Auditor General

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AUDITOR GENERAL

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OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

February 25, 2010

Members of the Arizona Legislature

The Honorable Jan Brewer, Governor

Governing Board
Wickenburg Unified School District

Dr. Howard Carlson, Superintendent
Wickenburg Unified School District

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Wickenburg Unified School District*, conducted pursuant to A.R.S. §41-1279.03. I am also transmitting with this report a copy of the Report Highlights for this audit to provide a quick summary for your convenience.

As outlined in its response, the District agrees with all of the findings and recommendations.

My staff and I will be pleased to discuss or clarify items in the report.

This report will be released to the public on February 26, 2010.

Sincerely,

Debbie Davenport
Auditor General

DD:bl
Enclosure

SUMMARY

The Office of the Auditor General has conducted a performance audit of the Wickenburg Unified School District pursuant to A.R.S. §41-1279.03(A)(9). This performance audit examines five aspects of the District's operations: administration, student transportation, plant operation and maintenance, expenditures of sales taxes received under Proposition 301, and the accuracy of district records used to calculate the percentage of dollars spent in the classroom.

Administration (see pages 5 through 12)

In fiscal year 2008, Wickenburg USD's administrative costs per pupil were 10 percent higher than the comparable districts' average costs primarily because it employed more administrative positions. Further, the District did not properly safeguard its computer network, and it inappropriately paid performance pay to some of its administrators. In addition, the District improperly included several nondistrict employees in the Arizona State Retirement System (ASRS). Based on Internal Revenue Service and ASRS criteria these individuals were actually employees of the non-profit foundation that partners with the District to operate the performing arts center.

Student transportation (see pages 13 through 16)

Wickenburg USD's student transportation program operated efficiently. The District's costs were similar to comparable districts,' its routes were filled to an average of 90 percent capacity, and the program cost the District \$258,000 less to operate than it received in transportation funding. However, the District did not meet all state standards for bus preventative maintenance or random drug and alcohol testing, and it did not accurately report the number of eligible riders transported for funding purposes. Although the District has an efficient program, establishing and monitoring

performance measures, such as cost per mile and cost per rider, would be another useful tool to help the District maintain or further improve the program's efficiency.

Plant operation and maintenance (see pages 17 through 20)

The District's fiscal year 2008 plant operation and maintenance costs were lower than the comparable districts' average costs. The District has undertaken efforts, such as installing new thermostats to help lower energy costs, to keep its overall plant costs low. However, the District's biggest challenge has to do with its newest school, Festival Foothills Elementary. In fiscal year 2008, the school operated at only 7 percent capacity, and in fiscal year 2010, capacity rose to only 16 percent. The District is able to continue operating the school primarily because the home builder of the community where the school is located has been donating monies to fund operating cost shortfalls since the school opened in January 2008. Also, the school depends on a significant amount of open enrollment students and the funding associated with them. The District may have difficulty operating Festival Foothills Elementary without sufficient assistance from the home builder and the state funding it receives because of open enrollment students.

Proposition 301 monies (see pages 21 through 23)

In November 2000, voters passed Proposition 301, which increased the state-wide sales tax to provide additional resources for education purposes. Wickenburg USD spent its Proposition 301 monies primarily to increase teacher compensation. However, the District paid Proposition 301 monies to three ineligible administrative employees.

Classroom dollars (see pages 25 through 28)

Wickenburg USD's fiscal year 2008 classroom dollar percentage was 55.5, significantly lower than the comparable districts' average and the state and national averages. Despite the lower percentage, the District was still able to spend a similar amount of dollars per pupil in the classroom, primarily because of the donations it receives in support of its Festival Foothills Elementary school. In addition, the District inappropriately spent over \$19,000, or 15 percent, of Extracurricular Activities Fees Tax Credit monies on activities or items that did not meet statutory requirements.

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INTRODUCTION & BACKGROUND

The Office of the Auditor General has conducted a performance audit of the Wickenburg Unified School District pursuant to A.R.S. §41-1279.03(A)(9). This performance audit examines five aspects of the District's operations: administration, student transportation, plant operation and maintenance, expenditures of sales taxes received under Proposition 301, and the accuracy of district records used to calculate the percentage of dollars spent in the classroom.

Wickenburg Unified School District is located in northwest Maricopa County, covering approximately 916 square miles. In fiscal year 2008, the District had four schools and an alternative high school program serving 1,438 students in grades kindergarten through 12.

A five-member board governs the District, and a superintendent and a director manage it. In fiscal year 2008, the District employed 4 principals, 1 assistant principal, 98 certified teachers, 23 instructional aides, and 57 other employees, such as administrative staff, bus drivers, and custodians.

District programs and challenges

Wickenburg Unified School District offers various instructional and extracurricular programs (see textbox). For example, the Arizona Reading First program is a literacy system designed to help students read proficiently. The District also uses Arizona's Response to Intervention three-tiered model of reading instruction. This model includes targeting groups in need of specific support, needs-based learning, and small group intensive interventions.

The District has a partnership with the Wickenburg Foundation for the Performing Arts to operate the Del E. Webb Center located on the Wickenburg High School campus. The Webb Center opened for its inaugural season in the fall of 2001 and

The District offers:

- Arizona Reading First School
- Character Education
- Engineering program
- Performing arts program
- Technology-based instruction
- Three-Tier Reading Intervention Program
- National Honor Society
- Title one intervention services

offers public performances, educational outreach programs, after-school classes, a summer arts camp, and an extensive artist-in-residency program. The center is an approximately 600-seat, state-of-the-art theater.

For the 2008 school year, each of the District's schools received "performing" or higher ratings through the Arizona LEARNS program; one school was labeled as "highly performing," two schools were labeled as "performing-plus," and one school and the alternative program were labeled as "performing." Additionally, all of the District's schools met "Adequate Yearly Progress" for the federal No Child Left Behind Act, with the exception of the alternative high school program, which did not achieve this goal because it did not achieve the required graduation rate.

In January 2008, the District opened Festival Foothills Elementary school, which was built in anticipation of rapid growth in the southeastern portion of the District's boundaries. However, the anticipated population growth has not materialized, and the District is faced with an underutilized facility. The District has been able to keep this school open by closing down campus buildings not used, obtaining donations from a local home builder, and by pulling in students from other districts. To continue to keep this school in operation, the District will need to find ways to generate additional revenues, such as obtaining additional monetary donations, increasing the number of out-of-district students attending, and leasing currently unused buildings. See Chapter 3 for more information on Festival Foothills Elementary.

Scope and objectives

Based in part on their effect on classroom dollars, as reported in the Auditor General's annual report, Arizona Public School Districts' Dollars Spent in the Classroom (Classroom Dollars report), this audit focused on the District's efficiency and effectiveness in three operational areas: administration, student transportation, and plant operation and maintenance. Further, because of the underlying law initiating these performance audits, auditors also reviewed the District's use of Proposition 301 sales tax monies and how accurately it accounted for dollars spent in the classroom. To evaluate costs in each of these areas, only current expenditures, primarily for fiscal year 2008, were considered.¹ The methodology used to meet the objectives is described in this report's appendix.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the

¹ Current expenditures are those incurred for the District's day-to-day operations. They exclude costs associated with repaying debt, capital outlay (such as purchasing land, buildings, and equipment), and programs such as adult education and community service that are outside the scope of preschool through grade 12 education.

evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Auditor General and her staff express their appreciation to the Wickenburg School District's board members, superintendent, and staff for their cooperation and assistance throughout the audit.

CHAPTER 1

Administration

Wickenburg USD's fiscal year 2008 per-pupil administrative costs were 10 percent higher than the comparable districts' average costs. As a result, the District spent a higher percentage of its available operating dollars on administration than the comparable districts' average and the state average.¹ The District's costs were high primarily because it employed more administrative positions than the comparable districts, on average. Apart from administrative costs, auditors identified several other administrative issues needing attention. The District improperly included five nondistrict employees in its benefit programs (including the Arizona State Retirement System), did not adequately safeguard its computer network, and inappropriately paid performance pay to some administrators.

Administrative costs were higher than comparable districts'

As shown in Table 1 on page 6, Wickenburg USD spent \$979 per pupil on administrative costs, 10 percent higher than the \$891 comparable districts' average.² As a result, Wickenburg USD spent more of its available operating dollars on administration, leaving it less to spend in the classroom. If the District had spent the same amount per pupil for administration as the comparable districts spent on average, it could have potentially moved an additional \$127,000 into the classroom.

Administrative costs are monies spent for the following items and activities:

- **General administrative expenses** are associated with governing boards' and superintendents' offices, such as elections, staff relations, and secretarial, legal, audit, and other services; the superintendent's salary, benefits, and office expenses; community, state, and federal relations; and lobbying;
- **School administrative expenses** such as salaries and benefits for school principals and assistants who supervise school operations, coordinate activities, evaluate staff, etc., and for clerical support staff;
- **Central support services** such as business support services, planning, research, development, and evaluation services; informing students, staff, and the general public about educational and administrative issues; recruiting, placing, and training personnel; and data processing.

Source: Auditor General staff analysis of the USFR Chart of Accounts.

¹ Available operating dollars are those used to make current expenditures as defined in footnote 1 on page 2.

² The five comparable districts were selected primarily on the basis of their similarity in number of students and schools.

Table 1: Total and Per-Pupil Administrative Cost and District Staffing Level Comparison
 Fiscal Year 2008
 (Unaudited)

District Name	Total Administrative Costs	Number of Students	Administrative Cost Per Pupil	Administrative Staff ¹	Students per Administrative Staff
Wickenburg USD	\$1,407,868	1,438	\$979	22	65
Round Valley USD	1,382,872	1,400	988	18	78
Sedona-Oak Creek Joint USD	1,288,383	1,394	924	20	70
Mammoth-San Manuel USD	1,073,565	1,165	922	18	65
Thatcher USD	1,033,280	1,259	821	18	70
Camp Verde USD	1,132,684	1,419	798	17	83
Average of the comparable districts	\$1,182,157	1,327	\$891	18	74

¹ Full-time equivalent positions

Source: Auditor General staff analysis of district-reported fiscal year 2008 accounting data and detailed payroll records, and average daily membership information obtained from the Arizona Department of Education.

Wickenburg USD's higher administrative costs were due primarily to higher staffing levels. As shown in Table 1 above, the District employed one administrative position for every 65 students, while the comparable districts averaged one for every 74 students. Staffing levels were higher primarily because, in fiscal year 2008, Wickenburg USD employed an assistant principal and a dean of students while the comparable districts employed, on average, either an assistant principal or a dean of students, not both. The District could have saved over \$63,500 if it had employed only an assistant principal or a dean. In addition, the District employed about 11 business office and clerical/secretarial positions while the comparable districts employed less than nine, on average. If the District had employed a similar number of these types of positions, it could have saved about \$60,000.

Further increasing its administrative costs, the District spent almost \$37,000 or approximately \$26 per student on stipends for 23 teachers to perform administrative duties typically performed by department chairs or team leaders because the District does not employ these types of positions. Only two of the comparable districts paid teachers additional monies to perform similar administrative duties, at an average cost of approximately \$6,900, or just over \$5 per student. One comparable district had teachers who performed similar duties but were not paid stipends, and two districts did not have any employees performing department chair or team leader duties.

District improperly included nondistrict employees in state retirement system

Under a partnership agreement with a private foundation, the District has agreed to treat five employees staffing a jointly operated performing arts center as district employees, providing them with district benefits, and enrolling them in the Arizona State Retirement System (ASRS). However, the hiring, salary, and supervisory practices associated with these positions do not meet the guidelines of either ASRS or the Internal Revenue Service (IRS) for considering them as district employees.

Since 2001, the District has had a partnership with the Wickenburg Foundation for the Performing Arts (Foundation) to operate the Del E. Webb Center (a performing arts center) located on the Wickenburg High School campus. The Foundation is a 501(c)(3) nonprofit corporation whose members worked jointly with the District to build a theater on the high school campus so that there would be a facility within the community for the performing arts. The Foundation continues to provide financial support for the Webb Center. While the District built the building, the Foundation donated all of the technical equipment needed for stage productions, such as sound and lighting equipment. According to the District/Foundation agreement, the Foundation can use the Webb Center to host a variety of public performances at little cost to the Foundation (see textbox). Further, the Foundation agreed to assist the District with a variety of district-related programs and events. In addition to the activities it performs, the Foundation is responsible for paying the District sufficient monies to cover the salaries and benefits for the five full-time employees who worked on Webb Center activities in fiscal year 2008.¹ In return, the District agreed to consider the Webb Center employees as district employees and provide them with district benefits. This arrangement allows these employees to have benefits through the District that they would not otherwise have access to, including medical benefits and participation in the state retirement system.

ASRS membership is restricted to employees of the State of Arizona and its political subdivisions (counties, community college districts, incorporated cities and towns, school districts, and certain other governmental entities). Nongovernment employees are not eligible for membership, although the ASRS may approve certain

Webb Center Programs and Events

District-related programs and events:

- **Art Works After-School Program**—After-school program that teaches students in grades 6 through 8 various aspects of the performing arts.
- **Camp Imagination**—Two-week summer camp program provides students in grades 1 through 12 with hands-on activities integrating visual and performing arts mediums.
- **Special district-only performances by touring companies**—Some touring companies giving public performances hold special performances for district students.
- **Wickenburg High School fall play and spring musical**
- **Other school performances and assemblies**

Nondistrict related events:

- **Public performing arts performances**—Performances by touring companies, including concerts, plays, musicals, and ballet or other dance performances.
- **Community rentals**—Organizations can rent the facilities for community events.
- **Artist residencies**—Partnership with a local ranch that allows artists a quiet setting in which to create new works.

Source: Auditor General staff analysis of Del E. Webb Center's event calendars and district event calendars.

¹ Since October 2008, the Webb Center has operated with only four full-time equivalent positions.

nonprofit corporations, such as councils of governments, to participate if their primary purpose is to perform a governmental service. Since the Webb Center employees do not primarily perform a governmental service, it is not likely that employees of the Webb Center Foundation for the Arts would be eligible to participate in the ASRS.

Although the District has asserted that the Webb Center employees are district employees, many factors demonstrate that the workers are not district employees, but are instead employed by the Foundation. Moreover, by improperly including ineligible participants in the ASRS, the District may be financially liable for the retirement costs of these individuals under A.R.S. §38-748.¹ During the course of the audit, the District contacted ASRS to discuss the possibility that the Webb Center employees were improperly enrolled in the retirement system.

Foundation performs most employer functions for Webb Center staff—According to ASRS and IRS guidelines, an employment relationship's existence can be determined by analyzing certain functions an employer typically performs, including, but not limited to, functions such as recruiting and hiring, determining pay rates, supervising work, setting work schedules, and evaluating employee performance. Auditors reviewed these activities for the Webb Center employees and found that the Foundation rather than the District performed many of them. Specifically:

- **Recruitment and hiring**—The Foundation recruited and hired the Webb Center employees. Auditors reviewed documentation, such as employee files and e-mails, and found that the Foundation created the Webb Center positions and then performed all recruiting and hiring activities. Once the Foundation selected and hired the employees, the District's governing board approved the new employees as district employees and the District wrote the contract.
- **Determination of salary**—The Foundation determined the starting salaries of each Webb Center employee as well as subsequent pay increases. For example, when the Foundation notified the District of a new Webb Center employee, it also informed the District of the employee's annual salary. Further, Webb Center employee salaries do not correspond to positions and steps on the District's classified salary schedule. In fiscal year 2008, the Webb Center's director was paid an annual salary that was similar to the district superintendent's and was at least \$25,000 more than other district director positions. In addition, Webb Center employees' pay increases were determined by the Foundation. For example, between fiscal years 2004 and 2005, the Foundation increased the salary of one Webb Center employee by an amount equivalent to four steps on the District's classified salary schedule,

¹ A.R.S. §38-748 became effective in November 2009 and can require an employer to pay ASRS for any unfunded liability resulting from the provision of benefits to a person who, by statute, is not eligible for ASRS membership. ASRS sought this change to statute after two previous Auditor General reports identified instances of entities improperly enrolling ineligible persons in ASRS.

while district employees' salaries typically increase by only one step from year to year.

- **Supervision, work hours, and evaluation of work**—The center's director exclusively supervises Webb Center employees. In addition, the director sets the Webb Center employees' work hours and also completes their performance evaluations. The evaluations are not shared with the District, and no evaluations were documented in Webb Center employee files kept at the district office. Further, while the director works with district staff, such as principals and teachers, she is not supervised by anyone at the District, including the superintendent.
- **Different employee files**—Further differentiating Webb Center employees from district employees, the district human resources files for the Webb Center employees differed in structure and composition from the files of district employees, such as administrators, bus drivers, or custodians. Specifically, the Webb Center employees' files were kept in different types of folders, and in addition to the absence of performance evaluation documents, they were also missing key documents such as employment applications, and copies of drivers' licenses and social security cards.

Computer network, servers, and sensitive information not adequately safeguarded

The District lacks adequate security over its computer network. For example, some employees have overly broad access to accounting and student information systems, and servers and backup tapes are kept in an unlocked room with an unsecured window. Lack of adequate controls exposes the District to fraud (such as processing false invoices or adding nonexistent vendors), theft or misuse of sensitive information, and damage to equipment. Specifically:

- **Inadequate controls over access to computer network, including accounting and student information systems**—Wickenburg USD did not establish proper security for its computerized accounting system. Specifically, two employees had the ability to perform tasks that were not necessarily part of their jobs, and to do so without independent review. For example, the employees could both create and approve purchase requisitions and purchase orders, and pay vendor invoices without any independent review to ensure that purchases and payments were appropriate and correct. Additionally, auditors found that one of the seven employees who left district employment between fiscal years 2008 and 2009 still had access to the accounting system. Further, a custodian and a groundskeeper were granted access to the District's student information system even though their job duties do not indicate a need for

access to sensitive student information, such as a student's birth date, social security number, and home address.

- **Inadequate environmental controls over server room increases risk of damage to equipment and loss of data**—The District's servers housing student data are kept in an unlocked room with an unsecured window. Additionally, the room lacks fire detection and suppression equipment. Both of these issues compromise the security of the District's equipment and data.
- **Inadequate network controls**—The District lacked some basic controls to safeguard the network against unauthorized access. For instance, users are not locked out after multiple failed login attempts, the network does not lock users out after a period of inactivity, and no authentication is needed to connect to the District's network. This could allow unauthorized users to gain access to the District's network and data, making data susceptible to being stolen, changed, or deleted.
- **Inadequate controls over wireless network**—The District does not have any policies addressing access to its wireless network. Unauthorized users may be able to access the network wirelessly. In fact, according to the District, employees and students have set up unauthorized wireless networks, which could compromise the District's data and computer system.
- **Lack of disaster recovery plan**—The District did not have a formal disaster recovery plan, even though it maintains critical student information on its systems and network. A written and properly designed disaster recovery plan helps to ensure continuity of operations, as well as to ensure that electronic data files are not lost in the event of a disaster or other interruption. Therefore, it is important for the District to ensure that it can safeguard its information in the event of a system or equipment failure by developing, testing, and implementing a disaster recovery plan. Further, despite the lack of security and fire protection, the District inappropriately stores computer system backup tapes in the district office server room. Backup tapes should be stored in a secure offsite location to ensure that data can be restored if the server at the district office is destroyed or data is lost for whatever reason.

Performance pay paid inappropriately to several administrative staff

During fiscal year 2008, the District inappropriately paid seven administrative employees a total of approximately \$13,650 in performance pay stipends that were not specified in the employees' contracts. Also, these employees were not required

to perform any additional duties to receive these monies.

Districts may only pay amounts to employees that are provided for in the employee's contract or other formal documents such as addendums, employment letters, or payroll action forms. Attorney General Opinion I84-034 states that "a flat sum-certain increase in salaries is permissible only if it is contracted for *prior* (emphasis added) to the time the services are rendered." Since the stipends were not included in the employees' written contract or other formal documents, it may constitute a gift of public monies in violation of the Arizona Constitution.

To establish adequate accountability over public monies, the District should ensure that any required additional duties or activities and the related pay are documented in writing and agreed to prior to the services being performed and payments made.

Recommendations

1. The District should evaluate whether it can reduce its number of administrative positions to produce cost savings.
2. The District should continue working with the Arizona State Retirement System to determine what actions need to be taken regarding the Webb Center employees it allowed to participate in the retirement system.
3. The District should ensure that it provides employee benefits, including Arizona State Retirement System membership, only to qualified district employees.
4. The District should implement controls to safeguard its computerized accounting system, student information system, and network. Specifically, the District should:
 - a. Restrict and regularly review access to the accounting, student information system, and network to ensure access is appropriate.
 - b. Secure its server room and evaluate the need for safety devices such as fire alarms and fire suppression devices.
 - c. Implement network controls, including wireless network controls, to restrict the amount of failed login attempts, and limit the amount of time of inactivity before logging a user out to prevent unauthorized access to the network.

- d. Evaluate and implement the necessary policies for data privacy, security, and access to protect the District.
 - e. Develop and implement a disaster recovery plan to prevent data loss in the event of a disaster or other interruption, including designating a secure, offsite location for storing backup tapes.
5. The District should discontinue any performance pay for administrative staff unless it clearly identifies, in contracts or other written agreements, any performance pay goals and the criteria that will be used to evaluate the achievement of those goals. Further, the potential amount of related performance pay should be documented in writing and agreed to prior to the services being performed.

CHAPTER 2

Student transportation

Wickenburg USD's student transportation program operated efficiently with costs similar to comparable districts' and routes that filled buses to a very high 90 percent of capacity. This efficiency helped the District operate the program at a cost that was \$258,000 less than it received in transportation funding. Despite this generally good performance, the transportation program is in need of improvement in several respects. The District did not meet all state standards for a bus preventative maintenance program or for random drug and alcohol testing of its drivers. Further, the District did not accurately report the number of eligible riders transported for funding purposes, and the program would benefit from developing and monitoring performance measures, such as cost per mile and cost per rider, to further enhance and ensure continued program efficiency.

Background

During fiscal year 2008, Wickenburg USD transported 564 of its 1,438 students to and from its four schools. This included transporting approximately 50 open enrollment students from an adjacent district, Saddle Mountain USD, to one of its schools. The District also transported high school students from adjacent elementary districts such as Aguila ESD, Congress ESD, and Yarnell ESD. The District provided transportation for field trips, athletic events, and extracurricular activities, in addition to regular and special needs transportation. Wickenburg USD's transportation policy calls for it to provide transportation for regular education students who live more than 1 mile from their school. However, because of safety concerns brought on by railroad tracks, canals, and highways such as U.S. Route 60, the District transports a number of students who would typically be considered ineligible for transportation.

Transportation Facts for Fiscal Year 2008

Riders	564
Bus drivers*	14.4
Mechanics	1
Average daily route miles	941
Total miles	208,935
Total noncapital expenditures	\$498,026

*Full-time Equivalent Positions

Transportation program operates efficiently

As demonstrated in Table 2 below, the District's transportation costs per-rider were similar to the comparable districts' average, and its per-mile costs were 16 percent lower. Per-mile costs were lower because the District operated an efficient program.

Table 2: Students Transported, Mileage, and Costs
Fiscal Year 2008
(Unaudited)

District Name	Total Riders	Total Miles	Total Noncapital Expenditures	Cost Per Mile	Cost Per Rider
Sedona-Oak Creek USD	416	142,862	\$550,170	\$3.85	\$1,323
Round Valley USD	652	343,426	746,282	2.17	1,145
Wickenburg USD	564	208,935	498,026	2.38	883
Mammoth-San Manuel USD	437	162,223	371,309	2.29	850
Camp Verde USD	885	233,816	595,677	2.55	673
Thatcher USD	730	103,309	345,075	3.34	473
Average of the comparable districts	624	197,127	\$521,703	\$2.84	\$893

Source: Auditor General staff analysis of Arizona Department of Education fiscal year 2008 district mileage reports and district-reported fiscal year 2008 accounting data.

District had efficient bus routes—Wickenburg USD's buses operated, on average, at 90 percent of seat capacity, making its regular education routes very efficient. Districts with efficient bus routes typically use 75 percent or more of bus capacity. In fiscal year 2008, the District reviewed its routes and bus capacity at least once each semester, and as a result, made adjustments to its routes to improve efficiency. The District also increased its capacity and efficiency by using appropriately sized buses. For example, one of its regular routes typically transports between 5 and 20 students. Rather than using a standard school bus with seating capacity for 72 or 84 students, the District uses a bus with seating capacity of only 21 students for this route.

Program cost less to operate than revenues received—In fiscal year 2008, Wickenburg USD spent \$498,026 to operate its transportation program but received approximately \$756,200 in state transportation aid, leaving an excess of over \$258,000 that the District was able to spend in other areas. Three of the comparable districts also spent less than their transportation revenues, by amounts ranging from \$2,000 to \$315,000, while one comparable district had to subsidize its program by almost \$97,000.

Despite program efficiency, improvements to oversight are needed

Although Wickenburg USD's transportation program operated efficiently, improvements to program oversight efforts are needed to ensure that the program meets all required state *Minimum Standards for School Buses and School Bus Drivers* (Minimum Standards), ensures student safety, and continues to operate efficiently and effectively.

Preventative maintenance not systematic—According to Minimum Standards, districts must demonstrate that their school buses receive periodic preventative maintenance services. These standards are designed to help ensure the safety and welfare of school bus passengers, and following them can also help extend the useful life of a district's buses. While Wickenburg USD's bus records show that some preventative maintenance, such as oil changes, occurred, the records also demonstrated that these activities were not systematic or uniform, as the Minimum Standards required. For example, district officials said the District's unwritten policy is to require bus oil changes every 6,000 miles. However, in fiscal year 2008, the District had buses that went as little as 700 miles or as many as 22,200 miles between oil changes. The District's records were not adequate to show whether safety-related maintenance, such as brake inspections and repairs, were performed as required. Fiscal year 2009 bus records showed that the District was still not performing preventative maintenance activities as required by Minimum Standards and according to its own policies.

Random drug and alcohol testing not performed—Minimum Standards also require districts to conduct drug and alcohol testing both annually for all drivers and randomly throughout the school year. Specifically, 50 percent of all drivers should be randomly tested for drug use, and 10 percent should be randomly tested for alcohol use. While district officials ensured that each driver received the annual drug and alcohol testing, they did not have a process in place to ensure the required random testing of selected bus drivers. As a result, none of its drivers were randomly tested for drug and alcohol use in fiscal years 2008 and 2009.

District did not accurately report riders for state-funding purposes—Wickenburg USD's fiscal year 2008 records did not fully support the number of riders it reported to the Arizona Department of Education for funding purposes. Districts receive state monies for student transportation based on a formula that uses primarily the number of route miles traveled and secondarily the number of eligible students transported. Auditors' review of district rider counts found that the District overstated its ridership by 58 students, or approximately 9 percent. Although auditors determined that the District's reporting error would not have

impacted its transportation funding, similar errors in the future could result in the District's receiving an incorrect amount of transportation funding.

Performance measures were not established and monitored— Although the District has an efficient program and is taking a number of steps to monitor routes and reduce costs, establishing and monitoring specific performance measures would be another useful tool. Measures such as cost per mile and cost per rider can help the District identify areas for improvement. By establishing performance measures, the District can better evaluate the efficiency of its program and proactively identify operational issues that may need to be addressed.

Recommendations

1. The District should ensure that it conducts and documents bus preventative maintenance as specified in the Minimum Standards.
2. The District should ensure that it conducts and documents random drug testing as specified in the Minimum Standards.
3. The District should ensure that it accurately reports the number of riders transported for funding purposes.
4. To aid in evaluating the efficiency of its transportation program, the District should develop and monitor performance measures, such as cost per mile and cost per rider.

CHAPTER 3

Plant operation and maintenance

Wickenburg USD's fiscal year 2008 per-square-foot plant operation and maintenance costs were lower than the comparable districts' average in part because it performed a plant-related function with in-house staff while the comparison districts outsourced it. The District has undertaken efforts, such as installing new thermostats, to help reduce its plant costs even further. However, the District faces a significant challenge in keeping its costs low because its newest elementary school operated at only 7 percent capacity in fiscal year 2008 and may have difficulty operating without the continued assistance of donations from the builder of the community where the school is located and the funding it receives for open enrollment students. The builder has agreed to make donations only through fiscal year 2012.

What are plant operation and maintenance costs?

Salaries, benefits, and other costs for heating and cooling, equipment repair, groundskeeping, and security.

Source: Auditor General staff analysis of the USFR Chart of Accounts.

District's per-square-foot plant costs were lower than comparable districts'

As shown in Table 3 on page 18, while the District's \$4.33-per-square-foot costs were about 10 percent lower than the comparable districts' average of \$4.79, its per-pupil plant costs were similar to the comparable districts' average because it generally has more square footage per student. The additional square footage is due in large part to operating a new elementary school well below capacity, as discussed below (see page 19).

Table 3: Plant Costs and Square Footage Comparison
 Fiscal Year 2008
 (Unaudited)

District Name	Plant Costs				
	Total	Per Student	Per Square Foot	Total Gross Square Footage	Square Footage Per Student
Sedona-Oak Creek Joint USD	\$1,797,230	\$1,289	\$6.48	277,558	199
Camp Verde USD	1,437,878	1,013	5.98	240,385	169
Wickenburg USD	1,637,232	1,139	4.33	378,480¹	263
Mammoth-San Manuel USD	1,336,911	1,147	3.98	335,849	288
Thatcher USD	1,051,979	835	3.78	278,107	221
Round Valley USD	1,978,770	1,414	3.73	530,690	379
Average of the comparable districts	\$1,520,554	\$1,140	\$4.79	332,518	251

¹ Because Wickenburg USD's newest school, Festival Foothills Elementary, was only operational for part of fiscal year 2008, the total Gross Square Footage for Wickenburg USD includes only 75 percent of Festival Foothills' gross square footage.

Source: Auditor General staff analysis of district-reported fiscal year 2008 accounting data, average daily membership information obtained from the Arizona Department of Education, and fiscal year 2008 gross square footage information obtained from the Arizona School Facilities Board.

Lower costs associated with fewer purchased services—As shown in Table 4 below, the District's plant costs were lower primarily because it spent less on purchased services. All five of the comparable districts contracted with local police departments to provide School Resource Officers at their high schools, at an average cost of over \$81,000. Rather than purchasing the services of a school resource officer, Wickenburg USD employed one full-time security employee at the high school for less than half the cost of the comparable districts'.

Table 4: Comparison of Per-Square-Foot Plant Costs by Category
 Fiscal Year 2008
 (Unaudited)

District Name	Salaries and Benefits	Purchased Services	Supplies and Other	Total
Sedona-Oak Creek Joint USD	\$2.47	\$2.07	\$1.94	\$6.48
Camp Verde USD	2.05	1.90	2.03	5.98
Wickenburg USD	1.62	1.12	1.59	4.33
Mammoth-San Manuel USD	1.55	1.07	1.36	3.98
Thatcher USD	0.99	1.69	1.10	3.78
Round Valley USD	1.22	0.92	1.59	3.73
Average of the comparable districts	\$1.66	\$1.53	\$1.60	\$4.79

Source: Auditor General staff analysis of district-reported fiscal year 2008 accounting data, average daily membership information obtained from the Arizona Department of Education, and fiscal year 2008 gross square footage information obtained from the Arizona School Facilities Board.

Energy conservation efforts resulted in savings—According to the District, in the latter part of fiscal year 2008, it replaced all of its outdated thermostats with new, programmable units. For example, during the hotter months, the thermostats are programmed to cool buildings to 74 degrees on school days beginning at 6 a.m. and increase to a setting of 85 degrees at 4 p.m. While employees can adjust the temperature settings for 3-hour periods, temperatures on the locked units can be moved only between Governing-Board-approved minimum and maximum temperature settings of 74 to 85 degrees. From fiscal year 2008 to 2009, the new thermostats reduced electricity usage by approximately 6 percent. Electricity rates rose between the 2 years, and as a result, this 6-percent reduction in electricity usage brought only about \$539 in reduced electricity costs. However, if electricity rates had remained the same, the District's reduction in electricity usage would have resulted in a savings of \$26,334 from the prior year.

New school's low enrollment means District may be unable to cover costs

In January 2008, Wickenburg USD opened Festival Foothills Elementary, a kindergarten through 8th-grade school, with approximately 61 students—47 of whom live in another district and attend through the District's open enrollment policy. These 61 students represent 7 percent of the school's 914 student capacity. In fiscal year 2010, the number of students rose to approximately 146, which is still only 16 percent of total capacity. During fiscal year 2010, the school operated one class per grade for kindergarten through 6th grades, plus a 7th- and 8th-grade combined class. The school also employed a special education teacher and an additional teacher for such classes as art and physical education. Because of the small number of students, the school is able to conduct classes with an average student/teacher ratio of 18 to 1.

The school was built to serve students in a new master-planned community located within Wickenburg USD's boundaries but about 47 miles from the Town of Wickenburg where the District's other three schools are located. The master-planned community's builder originally agreed to donate monies to help cover a portion of the new school's operating costs for fiscal years 2008 and 2009 because the District anticipated that it would have operating shortfalls. Further, the builder also donated monies for capital improvements to the school, such as adding canopies and modifying the school entrance. As shown in Table 5 on page 20, in fiscal years 2008 and 2009, the builder donated over \$900,000 to help fund day-to-day operating costs. Recently, addendums were added to the original agreement and the builder agreed to donate \$350,000 for fiscal year 2010 operating costs and up to \$650,000 in total for fiscal years 2011 and 2012. The District is also trying to rent out some of the unused space. Currently, a church occupies some space on Sundays. However, the District has not yet found other tenants to rent the remaining unused space.

**Table 5: Festival Foothills Elementary Operating Costs
Fiscal Years 2008 and 2009
(Unaudited)**

	Fiscal Year	
	2008	2009
Paid by District	\$125,874	\$241,417
Paid by builder donations	298,502	660,398
Total operating costs	\$424,376	\$901,815

Source: Auditor General staff analysis of district-reported fiscal years 2008 and 2009 accounting data.

Further complicating this issue, as noted above, 47 of the 61 Festival Foothills Elementary students enrolled in fiscal year 2008 lived within the boundaries of other school districts, primarily Saddle Mountain USD, but attended Festival Foothills Elementary through Wickenburg USD’s open enrollment policy. In fiscal year 2009, Saddle Mountain USD opened a school to serve the community where the majority of the Festival Foothills Elementary open enrollment students live. While it appears that about 50 open enrollment students from Saddle Mountain USD continue to attend Festival Foothills Elementary in fiscal year 2010, these students might return to their home district. In that case, or if the builder donations are not sufficient and the District cannot find tenants to rent unused space, the District could potentially have insufficient monies available to continue operating Festival Foothills Elementary.

Recommendation

The District should continue taking steps to ensure that it has sufficient monies to continue operating Festival Foothills Elementary School. If donations are not sufficient and/or the number of students enrolled cannot generate sufficient revenues, the District should consider closing the school and busing the students to one of its other schools or explore other options for ensuring that these students have access to public education services.

CHAPTER 4

Proposition 301 monies

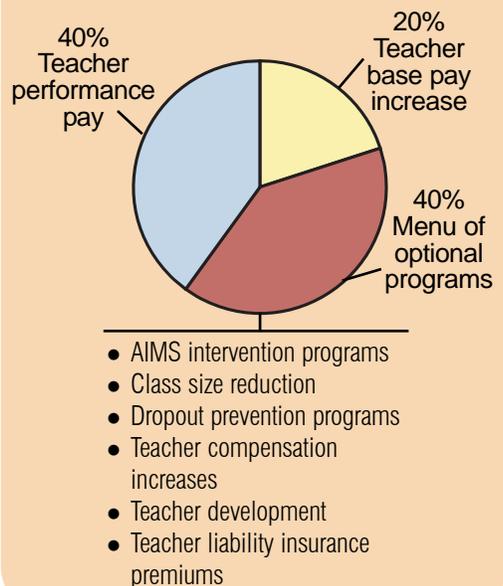
In November 2000, voters passed Proposition 301, which increased the state-wide sales tax to provide additional resources for education programs. The District followed its plan and used Proposition 301 monies to increase teacher compensation. However, the District inappropriately paid Proposition 301 monies to three ineligible administrative employees.

Background

In approving Proposition 301, voters increased the state-wide sales tax by six-tenths of 1 percent for 20 years. Under statute, after allocations for ten state-wide educational purposes, such as school facilities revenue bonds and university technology and research initiatives, the remainder of the revenue goes to the State Classroom Site Fund for distribution to school districts and charter schools. These monies may be spent only in specific proportions for three main purposes: teacher base pay increases, teacher performance pay, and certain menu options, such as reducing class size, providing dropout prevention programs, and making additional increases in teacher pay.

During fiscal year 2008, the District received a total of \$801,691 in Proposition 301 monies and distributed \$730,000 to employees. Unspent Proposition 301 monies remain in the District Classroom Site Fund for future years.

Required apportionment of Proposition 301 monies



District spent Proposition 301 monies on teacher compensation, but included several ineligible employees

Wickenburg USD paid Proposition 301 monies primarily to certified teachers and counselors, but also paid three administrative staff members who were not statutorily eligible to receive Proposition 301 monies, as statutes do not allow Proposition 301 monies to be used for administrative purposes.¹ Specifically, the District's dean of students and two administrative program directors were not eligible to receive Proposition 301 monies, but were each paid \$5,804 in Proposition 301 monies, the maximum amount available.

Base pay—Although not specified in its plan, each eligible full-time employee received a base pay increase of \$887 plus benefits. Base pay monies were incorporated into the District's salary schedule and paid throughout the year in employees' regular paychecks.

Performance pay—Each eligible full-time employee could earn up to \$2,648, plus related benefits. Performance pay was based on school and district-wide performance for the following goals:

- **School Improvement Plans**—Principals and certified staff from each school were required to develop and monitor a continuous 3-year Improvement Plan based on measurable student achievement goals, benchmarks of success, and methods of improving school and teacher effectiveness.
- **Student Attendance**—The District had to maintain an attendance rate of 94 percent or higher, or document exceptions as allowed by the Arizona Department of Education's Excessive Absence standards.
- **Parent Approval Rating**—Each school was required to achieve an Excellent or Good approval rating from at least 80 percent of randomly surveyed parents.
- **Student Achievement Scores**—More than half of the grade-level average student achievement scores on the TerraNova tests had to meet or exceed the State's 50th percentile in math, reading, and/or language for those grades mandated by law to test.

All eligible full-time employees received the full amount of available performance pay. In order to receive the full amount, schools had to achieve at least three of the four goals. If two of the four were met, employees would receive 75 percent of the monies, and if one of the goals was met, they would receive 25 percent of the monies.

¹ Laws 2000, 5th S.S., Chapter 1, Section 62, specifies that Proposition 301 monies cannot be used for administration.

Menu option monies—Statute allows school districts to choose among six different options for allocating the menu option monies, including:

- AIMS intervention programs
- Class size reduction
- Dropout prevention programs
- Teacher compensation increases
- Teacher development
- Teacher liability insurance premiums

Although not specified in its plan, Wickenburg USD used its menu option monies for teacher compensation increases. Half of the monies were incorporated into the District's salary schedule, and the remainder was paid out to employees as a one-time payment. Each eligible full-time employee received \$2,269, and eligible part-time employees received prorated amounts paid throughout the year in their regular paychecks.

Recommendation

The District should ensure that salary increases paid from Proposition 301 monies are provided only to eligible employees.

CHAPTER 5

Classroom dollars

Wickenburg USD did not accurately report its costs in fiscal year 2008. After correcting errors, auditors determined that the District's classroom dollar percentage was 55.5 percent, 3.3 percentage points lower than the District reported. Although this percentage is lower than both the comparable districts' and state-wide averages, Wickenburg USD managed to spend a similar amount of dollars per pupil in the classroom. The District was able to do this because, on average, it received more funding per pupil than the comparable districts, primarily from gift and donation monies for its Festival Foothills Elementary school discussed earlier. However, if the amount of donations decreases in the future, it will be especially important for the District to closely analyze its spending in noninstructional areas, particularly administration, and reduce such spending if it wants to maintain current levels of spending in the classroom. Lastly, in fiscal year 2008, the District inappropriately spent over \$19,000 of Extracurricular Activities Fees Tax Credit monies on activities or items that did not meet statutory requirements.

After correcting for accounting errors, District's classroom dollar percentage falls below state average

Wickenburg USD did not properly classify \$1.3 million, or about 11 percent, of its fiscal year 2008 expenditures in accordance with the Uniform Chart of Accounts for school districts. As a result, its annual financial report did not accurately reflect its costs, including both instructional and noninstructional expenditures. For example:

- Over \$408,800 in salaries and benefits for several positions, including attendance clerks, counselors, special education directors and school-level administration, were misclassified as instruction. Instead, these positions should have been classified as instructional support, student support, or administration expenditures, based on the nature of their responsibilities.

- Almost \$92,000 for expenditures such as student travel, nursing supplies, student incentives, and speech pathologist services were misclassified as instruction even though these expenditures were not spent in the direct instruction of students.

These and other errors totaled over \$1.3 million. Correcting these errors decreased the District's reported instructional expenditures by approximately \$478,000, or 3.3 percentage points. As shown in Table 6 below, the District's corrected classroom dollar percentage of 55.5 percent is about 1 percentage point lower than the comparable districts' 56.3-percent average and almost 2 percentage points lower than the State's 57.3-percent average.

Table 6: Comparison of Expenditure Percentages and Per-Pupil Expenditures by Function
Fiscal Year 2008
(Unaudited)

	Wickenburg USD		Comparable Districts' Average		State Average 2008		National Average 2006	
	Percent	Per-Pupil Expenditures	Percent	Per-Pupil Expenditures	Percent	Per-Pupil Expenditures	Percent	Per-Pupil Expenditures
Total spending per pupil		\$8,099		\$8,007		\$7,813		\$9,155
Classroom dollars	55.5%	\$4,498	56.3%	\$4,489	57.3%	\$4,480	61.0%	\$5,583
Nonclassroom dollars								
Administration	12.1	979	11.2	891	9.2	720	10.8	991
Plant operations	14.1	1,139	14.1	1,140	11.3	881	9.9	902
Food service	5.5	444	4.9	388	4.8	373	3.8	352
Transportation	4.3	346	4.8	388	4.4	346	4.2	384
Student support	4.7	378	5.4	449	7.4	577	5.2	476
Instructional support	3.6	300	3.2	256	5.4	425	4.9	446
Other	0.2	15	0.1	6	0.2	11	0.2	21

Source: Auditor General staff analysis of fiscal year 2008 school district Annual Financial Reports provided by the Arizona Department of Education, summary accounting data provided by individual school districts, and National Center of Education Statistics' data from the *Digest of Education Statistics 2007*.

Per-pupil classroom spending similar because District spent more overall

As shown in Table 6 above, although Wickenburg USD's classroom dollar percentage was lower than average, its \$4,498-per-pupil classroom spending was similar to the comparable districts' average classroom spending of \$4,489. The District was able to spend a similar amount in the classroom despite its low classroom dollar percentage because it received significantly more gifts and donations revenue. As discussed in the plant operation and maintenance chapter, the District has a donation agreement with a home builder to cover the operating shortfalls for its newest school, Festival Foothills Elementary. In fiscal year 2008, the

District's gifts and donations revenues totaled \$520 per pupil, \$481 higher than the comparable districts' average of \$39 per pupil. These donations are expected to continue through fiscal year 2012. However, the District also depends heavily on monies associated with open enrollment students to help cover the school's operating costs. Because either of these funding sources could be lost or reduced, it heightens the need for the District to closely analyze its spending in noninstructional areas, particularly administration where per-pupil expenditures were high, and reduce such spending in order to help maintain its current level of spending in the classroom.

District misused some Extracurricular Activities Fees Tax Credit monies

Over \$19,000, or 15 percent of the District's total Extracurricular Activities Fees Tax Credit expenditures, were inappropriate. According to A.R.S. §43-1089.01 and A.R.S. §15-342(24), tax credit monies can only be spent on extracurricular activities that are optional and are noncredit. Tax credit eligible extracurricular activities typically include activities such as band, after-school sports programs, science clubs, trips for competitive events, and field trips that supplement a school's educational program.

- **Classroom equipment**—The District spent \$8,500 to purchase three SMART boards, which are interactive whiteboards typically used in classrooms, and miscellaneous SMART board supplies. The District stated that these SMART boards are used by both extracurricular clubs and teachers during regular instruction. However, the SMART boards are used for extracurricular activities only a small fraction of the time. Since they are used for regular instruction the majority of the time, the use of tax credit monies is not appropriate. The District also spent approximately \$2,000 for two projectors. Similar to the SMART boards, the projectors are used for regular instruction the majority of the time, so the use of tax credit monies is not appropriate.
- **Park bench**—The District spent about \$1,750 for a park bench, which is an inappropriate use of tax credit monies because it is a recreational expense that does not serve an educational purpose.
- **Seeds and fertilizer**—The District spent almost \$11,000 to buy seeds and fertilizer for the athletic fields at Wickenburg High School. According to district officials, about 25 percent of the seeds and fertilizer was used on nonathletic

Extracurricular Tax Credit Eligibility

Tax credit monies can be used for an extracurricular activity if ALL of the following criteria are met:

- The activity is school sponsored
- A fee is charged to the student to participate in the activity
- The activity is for enrolled students
- The activity is educational
- The activity is optional
- The activity is noncredit

Source Auditor General staff analysis of A.R.S. §43-1089.01 and §15-342(24).

lawns at the other schools in the District. The nonathletic portion of the expenditure did not serve an educational purpose, and as a result, about \$2,700 of this expenditure was not an appropriate use of tax credit monies.

- **Miscellaneous**—The District spent over \$4,400 on miscellaneous items that were not appropriate, such as flowers for a fundraiser and a custom map set and other classroom supplies that were not used for extracurricular activities.

Recommendations

1. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.
2. The District should closely analyze its spending in noninstructional areas, especially administration, to determine if savings can be achieved and whether some of these monies can be redirected to the classroom.
3. The District should ensure that Extracurricular Activities Fees Tax Credit monies are spent in accordance with statute.

APPENDIX

Methodology

In conducting this audit, auditors used a variety of methods, including examining various records, such as available fiscal year 2008 summary accounting data for all districts and the Wickenburg Unified School District's fiscal year 2008 detailed accounting data, contracts, and other district documents; reviewing district policies, procedures, and related internal controls; reviewing applicable statutes; and interviewing district administrators and staff.

To develop comparative data for use in analyzing the District's performance, auditors selected a group of comparable districts. Using average daily membership counts and number of schools information obtained from the Arizona Department of Education, auditors selected the comparable districts based primarily on having a similar number of students and schools as Wickenburg Unified School District, and secondarily on district type, location, classroom dollar percentage, and other factors. Additionally:

- To assess whether the District's administration effectively and efficiently managed district operations, auditors evaluated administrative procedures and controls at the district and school level, including reviewing personnel files and other pertinent documents and interviewing district and school administrators about their duties. Auditors also reviewed and evaluated fiscal year 2008 administration costs and compared these to similar districts'.
- To assess whether the District's transportation program was managed appropriately and functioned efficiently, auditors reviewed and evaluated required transportation reports, driver files, bus maintenance and safety records, and bus capacity utilization. Auditors also reviewed fiscal year 2008 transportation costs and compared them to similar districts'.
- To assess whether the District's plant operation and maintenance function was managed appropriately and functioned efficiently, auditors reviewed and evaluated fiscal year 2008 plant operation and maintenance costs and district building space, and compared these costs and capacities to similar districts'.

- To assess whether the District was in compliance with Proposition 301's Classroom Site Fund requirements, auditors reviewed fiscal year 2008 expenditures to determine whether they were appropriate, properly accounted for, and remained within statutory limits. Auditors also reviewed the District's performance pay plan and analyzed how performance pay was being distributed.
- To assess the accuracy of the District's classroom dollars and other expenditures, auditors evaluated internal controls related to expenditure processing and tested the accuracy of fiscal year 2008 expenditures.

DISTRICT RESPONSE



Wickenburg Unified School District
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February 17, 2010

State of Arizona
Office of the Auditor General
C/O Debbie Davenport, Auditor General
2910 North 44th Street, Suite 410
Phoenix, Arizona 85018

Ms. Davenport:

The Wickenburg Unified School District #9 (WUSD) respectfully submits its response to the performance audit conducted by the Auditor General for fiscal year 2008. The report includes a number of recommendations in the areas of administration, student transportation, plant operation and maintenance, Proposition 301 monies and classroom dollars. These recommendations have already, and will continue to, improve our district's processes and procedures.

WUSD would like to thank the Auditor General staff that was assigned to our District regarding their professionalism while interacting with our various staff members. These individuals were sensitive to the District's added time needed for completion of this audit and were diligent in answering all of the district's questions.

On the following pages, WUSD has responded to each recommendation in the report, stating whether or not we agree or disagree with the finding, as well as providing a response to how the District plans to move forward in the areas reviewed.

WUSD strives to provide a top quality education to its students in an effective and efficient manner. We are proud of the academic programs highlighted and will continue to work toward creating excellent schools where there is a laser like focus on quality instruction and moving each student to the next academic level.

Sincerely,

Howard C. Carlson, Ed. D.
Superintendent
Wickenburg Unified School District

Administrative Recommendations:

1. The District should evaluate whether it can reduce its number of administrative positions to produce cost savings.
 - a. The District agrees with this recommendation and will evaluate administrative staffing levels and explore cost cutting measures for next fiscal year.

2. The District should continue working with the Arizona State Retirement System to determine what actions need to be taken regarding the Webb Center employees it allowed to participate in the retirement system.
 - a. The District concurs with this recommendation. The District requested and received a comprehensive audit of our employee retirement practices from the Arizona State Retirement System in January 2010. As a result of their findings, we are ending Webb Center employee participation in the Arizona State Retirement System.

3. The District should ensure that it provides employee benefits, including Arizona State Retirement System membership, only to qualified district employees.
 - a. The District concurs with this recommendation and is working with the Wickenburg Foundation for the Performing Arts, current Webb Center employees, and members of the community to restructure our operating agreement for next fiscal year. It is anticipated that this will resolve concerns and issues raised by the Auditor General and the Arizona State Retirement System.

4. The District should implement controls to safeguard its computerized accounting system, student information system, and network.

The district agrees with this recommendation and will implement and improve control over all of our computerized systems.

 - a. The District is currently reviewing security access levels to our accounting, student information system, and network to ensure access is appropriate.
 - b. The District has added a door lock and secured the window to thwart unauthorized access. Due to existing and projected funding shortfalls, alarms and fire suppression systems are not planned at this time. In the event that the legislature provides additional funds for non-classroom expenditures, the District will reevaluate the situation.
 - c. The District is in the process of hiring an outside consultant to provide guidance in drafting and implementation of a comprehensive IT plan, including but not limited to, security, data privacy, and disaster recovery policies and procedures.

5. The District should discontinue any performance pay for administrative staff unless it clearly identifies, in contracts or other written agreements, any performance pay goals and the criteria that will be used to evaluate the achievement of those goals. Further, the potential amount of related performance pay should be documented in writing and agreed to prior to the services being performed.

- a. The District concurs with this recommendation and is preparing contract addendums for FY09-10 for administrative staff that clearly identifies potential performance amounts and the goals and the criteria that will be used to evaluate the achievement of those goals.

Student Transportation:

1. The District should ensure that it conducts and documents bus preventative maintenance as specified in the Minimum Standards.

- a. The District agrees with the recommendation and is preparing a comprehensive preventative maintenance schedule for all District vehicles, including the minimum standards for buses.

2. The District should ensure that it conducts and documents random drug testing as specified in the Minimum Standards.

- a. The District agrees with the recommendation and has contracted with a laboratory to conduct random drug testing selection and lab work in accordance with the Minimum Standards. In addition, our Transportation Director has become certified to conduct alcohol testing as directed by the random selection process.

3. The District should ensure that it accurately reports the number of riders transported for funding purposes.

- a. The District concurs with the recommendation and will review all transportation reports for accuracy before submission to the Arizona Department of Education.

4. To aid in evaluating the efficiency of its transportation program, the District should develop and monitor performance measures, such as cost per mile and cost per rider.

- a. The District concurs with this recommendation and will establish and track performance measures as recommended.

Plant Operation and Maintenance:

The District should continue taking steps to ensure that it has sufficient monies to continue operating Festival Foothills Elementary School. If donations are no longer available and the number of students enrolled cannot generate sufficient revenues, the District should consider closing the school and busing the students to one of its other schools or explore other options for ensuring that these students have access to public education services.

- a. The District agrees that it must continue its efforts to generate sufficient revenues to operate Festival Foothills Elementary School. The District is committed to keeping Festival Foothills Elementary School open and viable. The southern portion of our district is expected to recover first from the current economic downturn when compared to the northern portion of the district. Busing students in grades K-8 to the schools within the Town of Wickenburg would not be in the best interest of our children. Wickenburg Unified School District recently negotiated an additional two year agreement with the Pulte Homes to cover anticipated funding shortfalls for fiscal years 2011 and 2012 and the District is in negotiations to lease some of the unused building space at Festival. The District administration and Governing Board will continue to discuss and evaluate student counts, classroom capacities and staffing, school by school operating costs, and educational programs by campus and make decisions based upon sound business and educational practices.

Proposition 301 monies:

The District should ensure that salary increases paid from Proposition 301 monies are provided only to eligible employees.

- a. The District agrees with this finding. The District has not paid Proposition 301 monies to the three ineligible TOSA's (teachers on special assignment) during fiscal year 2010.

Classroom dollars:

1. The district should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.
 - a. The District concurs with this recommendation. One of the benefits of a Performance Audit is the education that comes from the process. Subsequent to the field audit work we recoded payroll positions and expenditures to reflect the proper account numbers for fiscal year 2010.
2. The District should closely analyze its spending in noninstructional areas, especially administration, to determine if savings can be achieved and whether some of these monies can be redirected to the classroom.
 - a. The District agrees that student education dollars are paramount and that efficiency and cost controls are critical. Wickenburg Unified will continue to look for ways to improve our percentage of classroom dollars.

3. The District should ensure that Extracurricular Activity Fees Tax Credit monies are spent in accordance with statute.

a. The District agrees and has improved internal controls over Tax Credit expenditures by educating secretaries and administrators on allowable expenditures and assigning additional duties to a District Office staff member to review all expenditures for compliance with purchasing policies and procedures.